Department for Communities and Local Government

The Mortgage Rescue Scheme

Detailed Methodology

MAY 2011
1 This document outlines the methods used in our examination.

Scope

2 This National Audit Office report assesses the value for money demonstrated by the Department for Communities and Local Government (the Department) in planning and delivering its Mortgage Rescue Scheme (the Scheme) and the wider lessons this example presents for policy development and financial management.

Methodology

3 The methods we used for this study were:
   - Department questionnaire;
   - review of key documents;
   - analysis of Department and Homes and Communities Agency administrative and financial data, and management information;
   - validation of the Department’s appraisal and evaluation economic models;
   - interviews with current and former Department and Homes and Communities Agency staff;
   - case study visits to three local authority areas (and their partnering housing associations), supplemented with further validation of findings with two large housing association providers of the Scheme; and
   - telephone interviews with key stakeholders.

4 Method strands were synthesised to provide evidence in relation to an audit framework established at the outset of the study. The main elements of our fieldwork took place between November 2010 and January 2011.

Department questionnaire

5 At the outset of fieldwork we asked the Department to provide a written self-assessment against the audit framework we designed for the study. This framework was based around the National Audit Office’s management cycle for public expenditure programmes. The questionnaire results gave:
   - clarity in relation to study focus;
• a departmental account of planning and delivery to provide a cross-reference to other strands of analysis and evidence gathering; and

• a supplementary source of key factual information to inform study development.

Review of key documents

6 Our review included Departmental corporate documents, planning and delivery documents (e.g. Business Case documents, Impact Assessment documents), policy papers and submissions to Ministers and senior officials, evaluation reports, and correspondence. Records of Parliamentary debates and papers from other sources: Chartered Institute of Housing, Orbit (a housing group), and the National Housing Federation, were also reviewed. This review informed our analysis of the Department’s planning, appraisal and implementation of the Scheme.

Analysis of Department and Homes and Communities Agency and financial data, and management information

7 We undertook secondary analysis of the Department’s official statistics relating to the Scheme, house prices, homelessness and repossessions, available at: http://www.communities.gov.uk/housing/housingresearch/housingstatistics/livetables

8 Departmental data draws on a range of sources, including the Council of Mortgage Lenders, Ministry of Justice, Shelter and local authorities.

9 Until the end of March 2011, local authority and Shelter returns for the Scheme were provided monthly via a ‘macro’-supported spreadsheet. Data were aggregated (no individual level data was submitted to the Department). The Department conducted manual checks and errors were discussed with the returning body. The Department also conducted a quarterly reconciliation exercise to test local authority data returns against Homes and Communities Agency data. Following wider reforms to the scheme in April 2011 the Department has stopped collecting data from local authorities on the Scheme except for, and consistent with the approach to date, the now quarterly collection of details of initial approaches to local authorities and initial outcomes from those approaches (for example, ‘referred to money advice’).

10 As part of our study, we also reviewed financial and administrative data supplied by the Department and the Homes and Communities Agency. We used these data to inform our assessment of Scheme performance and financial management, and provide the source for descriptive statistical analysis on case volumes/characteristics, processing times and the level of Department subsidy. The Homes and Communities Agency derives its data from fortnightly returns from housing associations and from an ‘Interactive Management System’ tool used to track capital bids to the National Affordable Homes Programme. These two sources are used as a basis for cross-checking returns from housing associations.
In addition to descriptive statistical analysis, we also used exploratory multiple regression to try to identify the drivers of Scheme take-up across local authority areas. This analysis was, however, inconclusive, possibly reflecting the low number of completed cases at a local authority level and, or alternatively, the absence of key variables from our model.

Validation of the Department’s appraisal and evaluation models

National Audit Office economists sought to validate the Department’s economic model underpinning its Business Case and Impact Assessment submissions and the model later developed by the Scheme’s external evaluators. In each case a framework of audit questions was deployed to test the model’s fitness for purpose, the assumptions made, the variables deployed, and technical robustness.

Interviews with current and former Department and Homes and Communities Agency staff

Face-to-face and telephone interviews were conducted with Department and Homes and Communities Agency staff involved in the planning and delivery of the Scheme. We met with policy, delivery and analytical personnel, including representatives from the Senior Civil Service. Most face-to-face interviews were conducted through group meetings at the Department’s premises between 8 and 10 December 2010. Interviews presented an opportunity to hear Department and Homes and Community Agency accounts of the planning and delivery of the Mortgage Scheme.

Case study visits to three local authority areas (and their partnering housing associations)

One-day case study visits were undertaken in three areas across England in November 2010 at:

- South Tyneside Council (and Isos Housing);
- Wolverhampton City Council (and Orbit Housing Group); and
- London Borough of Hillingdon (and Catalyst Housing Group).

Case study locations were chosen to give a range of geographical contexts. Visits offered insights into front-line delivery of the Scheme, in particular, providing:

- a detailed review of individual rescue cases, the business case supporting housing association investment decisions and household circumstances;
- a qualitative account of the motivations and experiences of delivery agents and perceptions of Scheme effectiveness; and
- a summary of key information flows between local authorities, housing associations, lenders, the Department and the Homes and Communities Agency.
Case study visits took place before interviews with Department and Homes and Communities Agency representatives and informed the content of those interviews. Aspects of case study findings were subsequently validated through discussion with representatives of two further large housing association providers.

Telephone interviews with key stakeholders

Telephone interviews were conducted with representatives from:

- The Council of Mortgage Lenders;
- Lenders (i.e. banks);
- Shelter;
- The Local Government Association; and
- The National Housing Federation.

Interviewees provided additional background on their involvement in the design and delivery of the Scheme, perceptions of the effectiveness of the Scheme and the Department’s management processes. Meanwhile, a telephone meeting with officials from the Scottish Government was held to provide background on the delivery of their scheme and its evolution over time.

A separate face-to-face meeting was also conducted with representatives from the York University and Heriot-Watt University team, appointed by the Department to undertake an interim evaluation of the Scheme. This meeting informed our validation of economic modelling work and provided an account of the process by which the evaluation team were engaged, and also an opportunity to discuss the evaluation’s findings and the wider evidence base.